

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

Audit Report

HEALTH FEE ELIMINATION PROGRAM

Chapter 1, Statutes of 1984, 2nd Extraordinary Session,
and Chapter 1118, Statutes of 1987

July 1, 2005, through June 30, 2008



JOHN CHIANG
California State Controller

December 2011



JOHN CHIANG
California State Controller

December 16, 2011

Bill Garrett, President
Governing Board
Grossmont-Cuyamaca Community College District
8800 Grossmont College Drive
El Cajon, CA 92020

Dear Mr. Garrett:

The State Controller's Office audited the costs claimed by Grossmont-Cuyamaca Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2005, through June 30, 2008.

The district claimed \$808,927 (\$818,777 less a \$9,850 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$104,830 is allowable and \$704,097 is unallowable. The costs are unallowable because the district overstated direct and indirect costs, claimed unallowable services and supplies, understated authorized health service fees, and understated offsetting savings/reimbursements. The State paid the district \$774,337. The amount paid exceeds allowable costs claimed by \$669,507.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/bf

cc: Cindy L. Miles, Ph.D., Chancellor

Grossmont-Cuyamaca Community College District

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Audit Report

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Audit Report

Summary

The State Controller's Office audited the costs claimed by Grossmont-Cuyamaca Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2005, through June 30, 2008.

The district claimed \$808,927 (\$818,777 less a \$9,850 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$104,830 is allowable and \$704,097 is unallowable. The costs are unallowable because the district overstated direct and indirect costs, claimed unallowable services and supplies, understated authorized health service fees, and understated offsetting savings/reimbursements. The State paid the district \$774,337. The amount paid exceeds allowable costs claimed by \$669,507.

Background

Chapter 1, Statutes of 1984, 2nd Extraordinary Session repealed Education Code section 72246 which authorized community college districts to charge a health fee for providing health supervision and services, providing medical and hospitalization services, and operating student health centers. This statute also required that health services for which a community college district charged a fee during fiscal year (FY) 1983-84 had to be maintained at that level in FY 1984-85 and every year thereafter. The provisions of this statute would automatically sunset on December 31, 1987, reinstating the community college districts' authority to charge a health service fee as specified.

Chapter 1118, Statutes of 1987, amended Education Code section 72246 (subsequently renumbered as section 76355 by Chapter 8, Statutes of 1993). The law requires any community college district that provided health services in FY 1986-87 to maintain health services at the level provided during that year for FY 1987-88 and for each fiscal year thereafter.

On November 20, 1986, the Commission on State Mandates (CSM) determined that Chapter 1, Statutes of 1984, 2nd Extraordinary Session imposed a "new program" upon community college districts by requiring specified community college districts that provided health services in FY 1983-84 to maintain health services at the level provided during that year for FY 1984-85 and for each fiscal year thereafter. This maintenance-of-effort requirement applied to all community college districts that levied a health service fee in FY 1983-84.

On April 27, 1989, the CSM determined that Chapter 1118, Statutes of 1987, amended this maintenance-of-effort requirement to apply to all community college districts that provided health services in FY 1986-87, requiring them to maintain that level in FY 1987-88 and for each fiscal year thereafter.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on May 25, 1989. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Health Fee Elimination Program for the period of July 1, 2005, through June 30, 2008.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district did not submit a representation letter.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Grossmont-Cuyamaca Community College District claimed \$808,927 (\$818,777 less a \$9,850 penalty for filing a late claim) for costs of the Health Fee Elimination Program. Our audit disclosed that \$104,830 is allowable and \$704,097 is unallowable.

For the fiscal year (FY) 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$104,830 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$529,272. Our audit disclosed that the claimed costs are unallowable. The State will offset that amount from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2007-08 claim, the State paid the district \$245,065. Our audit disclosed that the claimed costs are unallowable. The State will offset that amount from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on October 14, 2011. Sue Rearic, Vice Chancellor, Business Services, responded by letter dated November 18, 2011. The district did not specify whether it agrees or disagrees with each audit finding. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of Grossmont-Cuyamaca Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

December 16, 2011

Schedule 1— Summary of Program Costs July 1, 2005, through June 30, 2008

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2005, through June 30, 2006</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 638,620 | \$ 531,593 | \$ (107,027) | Finding 1 |
| Services and supplies | 119,666 | 123,572 | 3,906 | Finding 2 |
| Mathematical error | 12 | — | (12) | |
| Total direct costs | 758,298 | 655,165 | (103,133) | |
| Indirect costs | 303,622 | 262,328 | (41,294) | Finding 3 |
| Total direct and indirect costs | 1,061,920 | 917,493 | (144,427) | |
| Less authorized health service fees | (630,956) | (796,541) | (165,585) | Finding 4 |
| Less offsetting savings/reimbursements | — | (16,122) | (16,122) | Finding 5 |
| Total program costs | <u>\$ 430,964</u> | 104,830 | <u>\$ (326,134)</u> | |
| Less amount paid by the State | | — | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 104,830</u> | | |
| <u>July 1, 2006 through June 30, 2007</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 595,565 | \$ 480,423 | \$ (115,142) | Finding 1 |
| Services and supplies | 110,699 | 93,014 | (17,685) | Finding 2 |
| Mathematical error | 8 | — | (8) | |
| Total direct costs | 706,272 | 573,437 | (132,835) | |
| Indirect costs | 251,786 | 204,430 | (47,356) | Finding 3 |
| Total direct and indirect costs | 958,058 | 777,867 | (180,191) | |
| Less authorized health service fees | (859,560) | (1,007,901) | (148,341) | Finding 4 |
| Less offsetting savings/reimbursements | — | (16,717) | (16,717) | Finding 5 |
| Less late filing penalty | (9,850) | (9,850) | — | |
| Subtotal | 88,648 | (256,601) | (345,249) | |
| Audit adjustments that exceed costs claimed | — | 256,601 | 256,601 | |
| Total program costs | <u>\$ 88,648</u> | — | <u>\$ (88,648)</u> | |
| Less amount paid by the State | | (529,272) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (529,272)</u> | | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2007, through June 30, 2008</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 782,244 | \$ 657,963 | \$ (124,281) | Finding 1 |
| Services and supplies | 165,144 | 106,430 | (58,714) | Finding 2 |
| Mathematical error | 12 | — | (12) | |
| Total direct costs | 947,400 | 764,393 | (183,007) | |
| Indirect costs | 339,927 | 263,975 | (75,952) | Finding 3 |
| Total direct and indirect costs | 1,287,327 | 1,028,368 | (258,959) | |
| Less authorized health service fees | (998,012) | (1,160,266) | (162,254) | Finding 4 |
| Less offsetting savings/reimbursements | — | (19,009) | (19,009) | Finding 5 |
| Subtotal | 289,315 | (150,907) | (440,222) | |
| Audit adjustments that exceed costs claimed | — | 150,907 | 150,907 | |
| Total program costs | <u>\$ 289,315</u> | — | <u>\$ (289,315)</u> | |
| Less amount paid by the State | | (245,065) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (245,065)</u> | | |
| <u>Summary: July 1, 2005, through June 30, 2008</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 2,016,429 | \$ 1,669,979 | \$ (346,450) | |
| Services and supplies | 395,509 | 323,016 | (72,493) | |
| Mathematical error | 32 | — | (32) | |
| Total direct costs | 2,411,970 | 1,992,995 | (418,975) | |
| Indirect costs | 895,335 | 730,733 | (164,602) | |
| Total direct and indirect costs | 3,307,305 | (2,723,728) | (583,577) | |
| Less authorized health service fees | (2,488,528) | (2,964,708) | (476,180) | |
| Less offsetting savings/reimbursements | — | (51,848) | (51,848) | |
| Less late filing penalty | (9,850) | (9,850) | — | |
| Subtotal | 808,927 | (302,678) | (1,111,605) | |
| Audit adjustments that exceed costs claimed | — | 407,508 | 407,508 | |
| Total program costs | <u>\$ 808,927</u> | 104,830 | <u>\$ (704,097)</u> | |
| Less amount paid by the State | | (774,337) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (669,507)</u> | | |

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overstated mandate- related counseling costs

The district overstated mandate-related counseling costs by \$346,450.

The district claimed a percentage of salaries and benefits attributable to its Counseling & Guidance and Disabled Student Program Services cost centers. However, the district did not provide any documentation supporting the percentages claimed. We previously reported this issue in our audit report dated December 31, 2008, covering the period July 1, 2001, through June 30, 2005.

During October 2007, the district conducted a time study to identify actual mandate-related counseling costs. The district's time study supported the following percentages of time spent performing mandate-related counseling activities: 2.23% for Grossmont College and 36.71% for Cuyamaca College. During fieldwork for this audit, the district asked to perform a second time study. However, the district did not complete the time study as planned. Therefore, we calculated allowable counseling costs using the October 2007 time study results.

The following table shows the calculation of allowable counseling costs and the resulting audit adjustment:

| | Fiscal Year | | | Total |
|--|--------------|--------------|--------------|--------------|
| | 2005-06 | 2006-07 | 2007-08 | |
| Grossmont College: | | | | |
| Total counseling-related salaries and benefits | \$ 1,344,358 | \$ 1,182,961 | \$ 1,392,179 | |
| Percentage of mandate-related time | × 2.23% | × 2.23% | × 2.23% | |
| Allowable counseling-related salaries and benefits | 29,979 | 26,380 | 31,046 | |
| Cuyamaca College: | | | | |
| Total counseling-related salaries and benefits | 748,919 | 533,542 | 695,081 | |
| Percentage of mandate-related time | × 36.71% | × 36.71% | × 36.71% | |
| Allowable counseling-related salaries and benefits | 274,928 | 195,863 | 255,164 | |
| Total allowable counseling-related salaries and benefits | 304,907 | 222,243 | 286,210 | \$ 813,360 |
| Less claimed counseling-related salaries and benefits | (411,934) | (337,385) | (410,491) | (1,159,810) |
| Audit adjustment, salaries and benefits | \$ (107,027) | \$ (115,142) | \$ (124,281) | \$ (346,450) |

Government Code section 17561, subdivision (d)(2), states that the SCO may audit the district's records to verify actual costs and reduce any claim that it determines is excessive or unreasonable.

The program's parameters and guidelines state:

Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

For salaries and benefits specifically, the parameters and guidelines direct claimants to:

Identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. *The average number of hours devoted to each function may be claimed if supported by a documented time study* [emphasis added].

Recommendation

Mandate-related counseling is not a task that is repetitive in nature. As a result, a time study of less than one year does not reasonably show the validity of claimed costs. Therefore, we recommend that the district maintain actual time records to support all mandate-related counseling activities for fiscal year (FY) 2011-12. We previously advised the district of this recommendation on January 13, 2011, and February 28, 2011.

The district should continue to maintain actual time records in subsequent fiscal years. Alternatively, the district may use the FY 2011-12 actual time records as a time study for subsequent periods. The district may apply the FY 2011-12 results to two subsequent fiscal years, provided there are no significant changes in either (1) the requirements of the mandated program activity; or (2) the process and procedure used to accomplish the activity.

District's Response

The District was asked to perform a time study to identify actual mandate-related counseling costs. The District understood that the time study would be for two weeks as was the prior time study practice. Later we were informed that the time study was required for two months. The District was not able to accomplish the time study for the time period requested.

SCO's Comment

The finding and recommendation are unchanged. The district did not specify whether it agrees or disagrees with the audit finding. The district did not provide any documentation to refute the audit finding. Early in our audit fieldwork, we advised the district that it must complete a two-month time study. However, the district did not initiate the time study during the agreed-upon period.

The following table summarizes the chronology of events relevant to the requested time study:

| Date | Action |
|-------------------|---|
| April 27, 2010 | The SCO conducted the audit entrance conference. |
| May 20, 2010 | The Associate Vice Chancellor advised the auditor that the district should have claimed counseling costs using the time study results developed in October 2007. |
| June 14, 2010 | The SCO acknowledged the Associate Vice Chancellor's request to perform a new time study and requested that the district submit a time study plan. |
| July 15, 2010 | The SCO repeated its request that the district submit a time study plan. |
| August 16, 2010 | The SCO repeated its request that the district submit a time study plan. |
| August 25, 2010 | The SCO advised the district that it must conduct a two-month time study. |
| November 29, 2010 | The SCO advised the district again that it must conduct a two-month time study. |
| December 10, 2010 | The district identified its plan to conduct a two-week time study during February 2011. The SCO advised the district again that it must conduct a two-month time study. |
| January 18, 2011 | The SCO reminded the district to initiate its two-month time study on February 1, 2011. |
| February 22, 2011 | The district acknowledged that it did not initiate a time study on February 1, 2011. The SCO advised the district that it would close out the audit fieldwork because the district did not initiate the time study. |

FINDING 2— Unallowable services and supplies

The district claimed unallowable services and supplies totaling \$72,452.

The district claimed unallowable student athletic insurance costs totaling \$74,823. The district also claimed \$1,565 for the purchase of food and miscellaneous promotional items (i.e., decorator ribbon roll, water bottles, and pens). In addition, the district incorrectly reduced tuberculosis (TB) testing costs by \$3,936 to account for internal fund transfers between the district office and the health services account.

For FY 2005-06 and FY 2006-07, the district claimed mandated costs based on a portion of the total student insurance premium for basic, catastrophic, and super catastrophic coverage. The district did not provide documentation showing how it calculated the mandate-related costs.

For FY 2007-08, the district claimed the total student insurance premium for basic and catastrophic coverage. However, basic coverage is applicable to both students and intercollegiate athletes. Therefore, the basic coverage amount includes both mandate-related and non-mandate-related costs. The district did not provide documentation showing the mandate-related portion of basic coverage costs.

The district provided documentation from its insurance company that identifies the mandate-related and non-mandate-related basic coverage costs for FY 2005-06. The district did not provide similar documentation for FY 2006-07 and FY 2007-08. From the FY 2005-06 documentation provided, we concluded that the mandate-related basic coverage costs total 49% of the total basic coverage premium amount. The following table shows the calculation of the allowable portion of basic coverage insurance premiums:

| (A) FY 2005-06 Basic Coverage Premium | (B) Intercollegiate Athletes | (C) Total [(A) + (B)] | (D) Allowable Percentage [(A) ÷ (C)] |
|--|------------------------------------|-----------------------------|---|
| Students | | | |
| \$ 54,647 | \$ 56,918 | \$ 111,565 | 49% |

To calculate allowable basic coverage costs for FY 2006-07 and FY 2007-08, we applied the allowable percentage supported by documentation that the district provided for FY 2005-06. To calculate total allowable student insurance costs for all fiscal years, we also allowed the catastrophic coverage premium costs. Catastrophic coverage is applicable to students only. We did not allow premium costs for super catastrophic coverage, because that coverage is applicable to intercollegiate athletes only.

The following table shows the calculation of allowable student insurance costs and the resulting audit adjustment:

| | Fiscal Year | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | 2005-06 | 2006-07 | 2007-08 | Total |
| Student insurance: | | | | |
| Basic premium costs | | \$ 112,570 | \$ 116,582 | |
| Allowable percentage | | × 49% | × 49% | |
| Allowable basic premium costs | \$ 54,647 | 55,159 | 57,125 | \$ 166,931 |
| Catastrophic premium costs | 3,020 | 3,020 | 3,172 | 9,212 |
| Allowable student insurance costs | 57,667 | 58,179 | 60,297 | 176,143 |
| Claimed costs | (54,120) | (77,092) | (119,754) | (250,966) |
| Audit adjustment, student insurance | \$ 3,547 | \$ (18,913) | \$ (59,457) | \$ (74,823) |

The following table summarizes the audit adjustment for services and supplies:

| | Fiscal Year | | | |
|----------------------------|-------------|-------------|-------------|-------------|
| | 2005-06 | 2006-07 | 2007-08 | Total |
| Student insurance | \$ 3,547 | \$ (18,913) | \$ (59,457) | \$ (74,823) |
| Food and promotional items | (391) | (293) | (881) | (1,565) |
| TB test fund transfers | 750 | 1,541 | 1,645 | 3,936 |
| Audit adjustment | \$ 3,906 | \$ (17,665) | \$ (58,693) | \$ (72,452) |

The parameters and guidelines state:

Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

For services and supplies specifically, the parameters and guidelines state:

Only expenditures which can be identified as a direct cost of the mandate can be claimed. List cost of materials which have been consumed or expended specifically for the purpose of this mandate.

Regarding allowable student insurance costs, Education Code section 76355, subdivision (d)(2), states that authorized expenditures shall not include athletic insurance.

Government Code section 17514 defines “costs mandated by the state” as any increased costs that the district is *required* to incur. In addition, Government Code section 17561, subdivision (d)(2)(B), states that the Controller may reduce any excessive or unreasonable claim. Food and promotional item expenditures are not required to maintain health services at the level that the district provided during the fiscal year (FY) 1986-87.

Recommendation

We recommend that the district claim only those services and supplies supported by its accounting records, allowable under the mandated program, and required to maintain health services at the level provided in FY 1986-87.

District’s Response

The District agrees with portions of the findings. Regarding the student insurance, attached is the documentation that backs up our claim on student insurance.

SCO’s Comment

The finding and recommendation are unchanged. The district did not specify the audit adjustments to which it concurs. The district provided a district-prepared schedule to support student insurance costs claimed. The district previously provided the same information during audit fieldwork. This document does not support the student insurance costs claimed. We previously requested that the district provide documentation from its insurance company that identifies the mandate-related and non-mandate-related basic premium costs for FY 2006-07 and FY 2007-08. The district did not provide the requested documentation.

**FINDING 3—
Overstated indirect
costs**

The district overstated indirect costs by \$164,595.

For FY 2005-06 and FY 2006-07, the district correctly calculated its indirect cost rates using the SCO's FAM-29C methodology. The unallowable costs identified below represent the indirect costs attributable to unallowable direct costs identified in Findings 1 and 2.

For FY 2007-08, the district did not calculate its indirect cost rate in accordance with the SCO's claiming instructions. The district calculated its indirect cost rate using a base of total direct costs. However, the claiming instructions direct districts to use a base of salaries and benefits only. We calculated the allowable indirect cost rate in accordance with the claiming instructions.

The following table summarizes the audit adjustment:

| | Fiscal Year | | | Total |
|---------------------------------|--------------------|--------------------|--------------------|---------------------|
| | 2005-06 | 2006-07 | 2007-08 | |
| Allowable direct costs | \$ 655,165 | \$ 573,457 | \$ — | |
| Allowable salaries and benefits | — | — | 657,963 | |
| Allowable indirect cost rate | × 40.04% | × 35.65% | × 40.12% | |
| Allowable indirect costs | 262,328 | 204,437 | 263,975 | |
| Indirect costs claimed | (303,622) | (251,786) | (339,927) | |
| Audit adjustment | <u>\$ (41,294)</u> | <u>\$ (47,349)</u> | <u>\$ (75,952)</u> | <u>\$ (164,595)</u> |

The parameters and guidelines state:

Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.

For FY 2005-06 and FY 2006-07, the SCO's claiming instructions state:

A CCD [community college district] may claim indirect costs using the Controller's methodology (FAM-29C). . . .

. . . The FAM-29C methodology uses a direct cost base comprised of salary and benefit costs and operating expenses. . . .

For FY 2007-08 forward, the SCO's claiming instructions state:

. . . The methodology used in form FAM-29C is a direct cost base comprised of salary and benefit costs. . . .

Recommendation

We recommend that the district claim indirect costs using indirect cost rates computed in accordance with the FAM-29C methodology specified in the SCO's claiming instructions.

District's Response

Because of the above reduced cost, the District recognizes that once we agree on any adjustments, the related indirect cost will be adjusted as well.

SCO's Comment

The finding and recommendation are unchanged. It appears that the district agrees that unallowable direct costs result in unallowable indirect costs. The district did not comment on the recalculated indirect cost rate for FY 2007-08.

**FINDING 4—
Understated authorized
health service fees**

The district understated authorized health service fees by \$476,180. The district calculated authorized health service fees using student enrollment data that did not agree with data that the district submitted to the California Community Colleges Chancellor's Office.

Mandated costs do not include costs that are reimbursable from authorized fees. Government Code section 17514 states that "costs mandated by the state" means any increased costs that a school district is *required* to incur. To the extent community college districts can charge a fee, they are not *required* to incur a cost. In addition, Government Code section 17556 states that the Commission on State Mandates shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

For the period July 1, 2005, through December 31, 2005, Education Code section 76355, subdivision (c), states that health fees are authorized for all students except those who: (1) depend exclusively on prayer for healing; (2) are attending a community college under an approved apprenticeship training program; or (3) demonstrate financial need. Effective January 1, 2006, only Education Code section 76355, subdivisions (c)(1) and (2) are applicable.

The California Community Colleges Chancellor's Office (CCCCO) identified the fee rates authorized by Education Code section 76355, subdivision (a). The following table summarizes the authorized fee rates:

| Fiscal Year | Authorized Health Fee Rate | |
|----------------|------------------------------|-------------------|
| | Fall and Spring Semesters | Summer Session |
| 2005-06 | \$14 | \$11 |
| 2006-07 | \$15 | \$12 |
| 2007-08 | \$16 | \$13 |

For each school term, the district reported student enrollment and Board of Governors Grant (BOGG) recipient data to the CCCCCO. Based on student data that the district reported, the CCCCCO identified enrollment and BOGG recipient data from its management information system (MIS). The CCCCCO identified the district's enrollment based on CCCCCO's MIS data element STD7, codes A through G. The CCCCCO eliminated any duplicate students based on their social security numbers. From the district's enrollment, the CCCCCO identified the number of BOGG recipients based on MIS data element SF21, all codes with first

letter of B or F. The CCCCCO's data element and code definitions are available at <http://www.cccco.edu/SystemOffice/Divisions/TechResearchInfo/MIS/DED/tabid/266/Default.aspx>. The district does not have an apprenticeship program and it did not identify any students that it excluded from the health service fee pursuant to Education Code section 76355, subdivision (c)(1).

The following table shows the authorized health service fee calculation and audit adjustment:

| | Period | | | |
|---|---------------------|---------------------|---------------------|--------------|
| | Summer Session | Fall Semester | Spring Semester | Total |
| Fiscal Year 2005-06: | | | | |
| Number of enrolled students | 11,113 | 28,300 | 29,339 | |
| Less number of BOGG recipients | (2,908) | (7,190) | — | |
| Subtotal | 8,205 | 21,110 | 29,339 | |
| Authorized health fee rate | × \$(11) | × \$(14) | × \$(14) | |
| Authorized health service fees | <u>\$ (90,255)</u> | <u>\$ (295,540)</u> | <u>\$ (410,746)</u> | \$ (796,541) |
| Less authorized health service fees claimed | | | | 630,956 |
| Audit adjustment, FY 2005-06 | | | | (165,585) |
| Fiscal Year 2006-07: | | | | |
| Number of enrolled students | 11,508 | 28,190 | 29,797 | |
| Authorized health fee rate | × \$(12) | × \$(15) | × \$(15) | |
| Authorized health service fees | <u>\$ (138,096)</u> | <u>\$ (422,850)</u> | <u>\$ (446,955)</u> | (1,007,901) |
| Less authorized health service fees claimed | | | | 859,560 |
| Audit adjustment, FY 2006-07 | | | | (148,341) |
| Fiscal Year 2007-08: | | | | |
| Number of enrolled students | 12,818 | 29,951 | 32,151 | |
| Authorized health fee rate | × \$(13) | × \$(16) | × \$(16) | |
| Authorized health service fees | <u>\$ (166,634)</u> | <u>\$ (479,216)</u> | <u>\$ (514,416)</u> | (1,160,266) |
| Less authorized health service fees claimed | | | | 998,012 |
| Audit adjustment, FY 2007-08 | | | | (162,254) |
| Total audit adjustment | | | | \$ (476,180) |

Recommendation

We recommend that the district:

- Deduct authorized health service fees from mandate-related costs claimed. To properly calculate authorized health service fees, we recommend that the district identify the number of enrolled students based on CCCCCO data element STD7, codes A through G.
- Eliminate duplicate entries for students who attend more than one college within the district.
- Maintain documentation that identifies the number of students excluded from the health service fee based on Education Code section 76355, subdivision (c)(1). If the district denies health services to any portion of its student population, it should maintain contemporaneous documentation of a district policy that excludes those students from

receiving health services and documentation identifying the number of students excluded. The district must also provide documentation that it excluded the same student population from receiving health services during the 1986-87 base year.

District's Response

This component includes three issues:

- The District reported its enrollment numbers relying on data provided by the California Community College Chancellor's Office (CCCCO). The State Controller's Office (SCO), in its review, also used enrollment data provided by the CCCCCO. Unfortunately, the two sets of data had slightly different numbers.
- The District used the health service fees that are being charged to students, rather than the approved State fees. The District health service fees are lower than the State fees.
- The District does not charge BOGG students the health service fees, which the District should have included those potential fees.

SCO's Comment

The finding and recommendation are unchanged. The district did not state whether it agrees or disagrees with the audit finding. The district did not provide any additional information to refute the audit finding.

The district states that it and the SCO received different enrollment data from the CCCCCO. The CCCCCO explained the reasons for the differences in an e-mail message to the district dated February 28, 2011. We provided the same information to the district on August 30, 2011. The district received enrollment information that incorrectly included duplicate students and excluded non-credit students.

The district states that it "used the health service fees that are being charged to students, rather than the approved State fees." The district's comment is unclear. The district's claims show that it calculated authorized health service fees using the correct authorized health fee rate for each school term.

The district states that it "does not charge BOGG students the health services fee, which the District should have included those potential fees." The district's comment is unclear. Until the Spring 2006 term, Education Code section 76355, subdivision (c), specified that BOGG students were excluded from the health services fee. For the Spring 2006 term forward, it is irrelevant whether the district charged the health services fee to BOGG students. The district's claims show that it calculated authorized health services fees based on what it believed to be total student enrollment, including BOGG students.

**FINDING 5—
Understated offsetting
savings/reimbursements**

The district understated offsetting savings/reimbursements by \$51,848.

The district charged students separate fees for various health services that it provided during the audit period. The district identified these revenues in its Supplies and Materials Abatement Account within the health services fund. However, the district did not report the revenues received as offsetting savings/reimbursements on its mandated cost claims.

The following table summarizes the audit adjustment:

| | Fiscal Year | | | Total |
|---|-------------|-------------|-------------|-------------|
| | 2005-06 | 2006-07 | 2007-08 | |
| Audit adjustment, offsetting savings/reimbursements | \$ (16,122) | \$ (16,717) | \$ (19,009) | \$ (51,848) |

The program's parameters and guidelines state:

Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

Recommendation

We recommend that the district report all offsetting savings/reimbursements on its mandated cost claims.

District's Response

The review identified some reimbursed fees that were included in the claim.

SCO's Comment

The finding and recommendation are unchanged. The district did not state whether it agrees or disagrees with the audit finding. The district did not provide any additional information to refute the audit finding.

The district's comment is unclear. The audit finding identifies offsetting savings/reimbursements that the district did *not* include in its claims.

**Attachment—
District's Response to
Draft Audit Report**



GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT

Via Fax - 916-324-7223

November 18, 2011

Mr. Jim L. Spano
Chief, Mandated Cost Audits Bureau
State Controller's Office
Division of Audits
P. O. Box 942850
Sacramento, CA 94250-5874

Re: Response to Review of Mandated Costs
Claimed for Health Fee Elimination Program

Dear Mr. Spano:

The Grossmont-Cuyamaca Community College District has received a draft report from your office regarding claims filed for 2005-06 through 2007-08.

Per your request, below are the responses to the State Controller's Office draft report findings:

- Finding 1. Mandate-related counseling costs** – The District was asked to perform a time study to identify actual mandate-related counseling costs. The District understood that the time study would be for two weeks as was the prior time study practice. Later we were informed that the time study was required for two months. The District was not able to accomplish the time study for the time period requested.
- Finding 2. Unallowable services and supplies** – The District agrees with portions of the findings. Regarding the student insurance, attached is the documentation that backs up our claim on student insurance.
- Finding 3. Indirect cost** – Because of the above reduced cost, the District recognizes that once we agree on any adjustments, the related indirect cost will be adjusted as well.
- Finding 4. Authorized health service fees** – this component includes three issues:
- The District reported its enrollment numbers relying on data provided by the California Community College Chancellor's Office (CCCCO). The State Controller's Office (SCO), in its review, also used enrollment data provided by the CCCCCO. Unfortunately, the two sets of data had slightly different numbers.
 - The District used the health service fees that are being charged to students, rather than the approved State fees. The District health service fees are lower than the State fees.
 - The District does not charge BOGG students the health service fees, which the District should have included those potential fees.
- Finding 5. Understated off-setting savings/reimbursements** – The review identified some reimbursed fees that were included in the claim.

Mr. Jim L. Spano
Chief, Mandated Cost Audits Bureau
November 18, 2011

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We understand that any financial adjustment will be applied against current and future mandated costs claims that the State owes to the District.

Please contact me at 619-644-7575 if you need any additional information.

Sincerely,



Sue Rearic
Vice Chancellor-Business Services

Student Accident Insurance

premiums paid 02-03 to present

| FY 02-03 | Premium | % |
|-------------------|--------------------|--------|
| GC Basic Coverage | \$1,438.00 | 1.48% |
| GC Athletes | \$64,932.00 | 66.86% |
| CC Basic Coverage | \$1,438.00 | 1.48% |
| CC Athletes | \$29,311.00 | 30.18% |
| TOTAL | \$97,119.00 | |

| FY 03-04 | Premium | % |
|-------------------|--------------------|--------|
| GC Basic Coverage | \$3,206.00 | 3.43% |
| GC Athletes | \$60,902.00 | 65.08% |
| CC Basic Coverage | \$1,473.00 | 1.57% |
| CC Athletes | \$28,003.00 | 29.92% |
| TOTAL | \$93,584.00 | |

| FY 04-05 | Premium | % |
|-------------------------|---------------------|--------|
| GC Basic Coverage | \$31,000.00 | 29.94% |
| GC Athletes | \$38,895.00 | 37.57% |
| CC Basic Coverage | \$10,000.00 | 9.66% |
| CC Athletes | \$12,489.00 | 12.06% |
| CC Student Catastrophic | \$11,156.00 | 10.76% |
| TOTAL | \$103,540.00 | |

| FY 05-06 | Premium | % |
|-------------------------|---------------------|--------|
| GC Basic Coverage | \$31,000.00 | 25.92% |
| GC Athletes | \$52,967.00 | 44.30% |
| CC Basic Coverage | \$10,000.00 | 8.36% |
| CC Athletes | \$12,489.00 | 10.44% |
| CC Student Catastrophic | \$13,120.00 | 10.97% |
| TOTAL | \$119,576.00 | |

| FY 06-07 | Premium | % |
|-------------------------|---------------------|--------|
| GC Basic Coverage | \$48,012.00 | 39.82% |
| GC Athletes | \$31,000.00 | 25.70% |
| CC Basic Coverage | \$19,080.00 | 15.82% |
| CC Athletes | \$12,489.00 | 10.36% |
| CC Student Catastrophic | \$10,000.00 | 8.29% |
| TOTAL | \$120,581.00 | |

| FY 07-08 | Premium | % |
|-------------------------|---------------------|--------|
| GC Basic Coverage | \$77,855.00 | 62.29% |
| GC Athletes | \$4,020.00 | 3.27% |
| GC Student Catastrophic | \$1,586.00 | 1.26% |
| CC Basic Coverage | \$38,727.00 | 30.98% |
| CC Athletes | \$1,220.00 | 0.90% |
| CC Student Catastrophic | \$1,586.00 | 1.26% |
| TOTAL | \$124,994.00 | |

| FY 08-09 | Premium | % |
|-------------------------|---------------------|--------|
| GC Basic Coverage | \$79,446.00 | 62.78% |
| GC Athletes | \$4,020.00 | 3.18% |
| GC Student Catastrophic | \$1,586.00 | 1.25% |
| CC Basic Coverage | \$38,684.00 | 30.57% |
| CC Athletes | \$1,220.00 | 0.96% |
| CC Student Catastrophic | \$1,586.00 | 1.25% |
| TOTAL | \$126,542.00 | |

| FY 09-10 | Premium | % |
|-------------------|---------------------|--------|
| GC Basic Coverage | \$66,966.50 | 61.32% |
| GC Catastrophic | \$4,627.00 | 4.24% |
| CC Basic Coverage | \$32,983.50 | 30.20% |
| CC Catastrophic | \$4,627.00 | 4.24% |
| TOTAL | \$109,204.00 | |

FY0910 BROKER CHANGED TO WELLS FARGO

| FY 10-11 | Premium | % |
|-------------------|---------------------|--------|
| GC Basic Coverage | \$73,297.00 | 61.49% |
| GC Catastrophic | \$4,627.00 | 3.88% |
| CC Basic Coverage | \$36,648.00 | 30.74% |
| CC Catastrophic | \$4,627.00 | 3.88% |
| TOTAL | \$119,199.00 | |

| FY 11-12 | Premium | % |
|-------------------|---------------------|--------|
| GC Basic Coverage | \$125,333.00 | 62.95% |
| GC Catastrophic | \$5,552.50 | 2.79% |
| CC Basic Coverage | \$62,667.00 | 31.47% |
| CC Catastrophic | \$5,552.50 | 2.79% |
| TOTAL | \$199,105.00 | |

| FY 12-13 | Premium | % |
|-------------------|---------------|---|
| GC Basic Coverage | | |
| GC Catastrophic | | |
| CC Basic Coverage | | |
| CC Catastrophic | \$0.00 | |
| TOTAL | \$0.00 | |

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>